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A Risk Management Agency Fact Sheet

Adjusted Gross Revenue-Lite (AGR-Lite)

February 2003

Adjusted Gross Revenue-Lite (AGR-Lite) is a streamlined whole-farm revenue protection package that can be used as a stand-alone coverage or in addition to other individual crop insurance policies (except AGR). The plan is easy to understand because it follows the marketplace, providing protection against low revenue due to unavoidable natural disasters and market fluctuations that occur during the insurance year. Most farm-raised crops, animals, and animal products are eligible for protection. The program is based on the 5-year average revenue reported on IRS Form 1040, Schedule F; therefore, minimal additional recordkeeping is required.

AGR-Lite can be used in conjunction with other Federal crop insurance plans—such as Multi-Peril Crop Insurance, Crop Revenue Coverage, and Income Protection—by coordinating the insurance protection and benefits with other plans. When producers purchase both AGR-Lite and other crop insurance plans, the AGR-Lite premium will be reduced.

The AGR-Lite concept:

- Uses a producer's historical IRS Schedule F tax form information and an annual farm report as a base to provide a level of guaranteed revenue for the insurance period;
- Provides insurance coverage for multiple agricultural commodities in one insurance product;
- Establishes revenue as a common denominator for the production of all agricultural commodities; and
- Reinforces program credibility by using IRS tax forms and regulations to alleviate compliance concerns.

Availability

AGR-Lite is available in all counties of Pennsylvania except Philadelphia and may be purchased from private insurance agents. A list of crop insurance agents is available at all USDA Service Centers throughout the United States, or visit the U.S. Department of Agriculture's (USDA) Risk Management Agency (RMA) online Agent Locator at:
<http://www3.rma.usda.gov/tools/agents>

AGR-Lite Timeline

Sales Closing Date. January 31 (cancellation and termination date also).

Beginning of Insurance. January 1 (For the year of application, the beginning of insurance is 10 days after a properly completed application is received.)

Contract Change Date. November 30.

Insurance Year. The calendar year in which the sales closing date occurs and includes both calendar year and fiscal year filings (corresponding to the producer's IRS tax period).

Claims. Claims are settled after taxes are filed for the insurance year.

Producer Eligibility

A producer must meet these criteria to be eligible for AGR-Lite coverage:

- Be a U.S. citizen or resident.
- File a calendar year or fiscal year farm tax return.
- Have less than \$205,000 in gross income; policy size is limited to \$100,000 of liability.
- Have IRS Form 1040, Schedule F, tax forms available for the previous 5 consecutive years under the same tax entity (unless at least 90 percent of a previous farming operation was transferred to the current tax entity).
- May not also purchase Adjusted Gross Revenue (AGR) insurance.

- Have revenue from commodities purchased for resale not exceeding 50 percent of total.
- Have revenue from potatoes not exceeding 83.35 percent of total.

Share Insured

Protection will be provided against a loss of revenue only for the person or entity named on the AGR-Lite application. Other persons or entities having an ownership share in the farming operation must also enroll in AGR-Lite to have protection.

Insured Causes of Loss

Insurance is provided against loss of revenue due to unavoidable peril that occurs during the current insurance year. No payment will be made for losses due to negligence, mismanagement, or wrongdoing by the insured, the insured's family, members of the household, tenants, employees, or contractors; crop abandonment; and other causes listed in the insurance policy.

AGR-Lite Application Information

Producers must provide the following information when completing an AGR-Lite application:

- Five years of selected income and expense data from their IRS 1040, Schedule F forms;
- An annual farm report showing the intended revenue-producing commodities and their expected revenue;
- A commodity profile report for the previous 2 years;
- An indication of changes that will result in less income for the insurance year than the historical average; and
- Beginning inventories, if applicable.

Choosing a Revenue Guarantee

AGR-Lite liability is calculated by multiplying the approved adjusted gross revenue by the coverage level and payment rate percentage selected by the producer. The coverage level will determine when indemnity payments begin. The payment rate will determine how much the producer

Available Coverage

65% Coverage Level/75% Payment Rate

The 75-percent payment rate is available to all eligible producers.

65% Coverage Level/90% Payment Rate as well as 75% Coverage Level/75% or 90% Payment Rate

For these coverage choices, a minimum of two commodities must be produced, with each contributing a certain minimum percentage of the total revenue.

80% Coverage Level / 75% or 90% Payment Rate

For 75-percent and 90-percent payment rates, a minimum of four commodities must be produced, with each contributing a certain percentage of the total revenue.

will be paid for each dollar lost under the coverage level. Coverage levels and payment rates can vary with the number of crops produced and are selected by the producer from the county actuarial table (Special Provisions of Insurance). A producer selects one amount of coverage.

Policy Size Limit

The policy is limited in size to a maximum liability (protection in force) of \$100,000 annually (\$100,000 liability/coverage level and payment percentage, i.e., $\$100,000/65\%/75\% = \$205,128$). The table below shows the maximum allowable income by level to be eligible for AGR-Lite.

Loss Payments

Loss payments are triggered when the adjusted income for the insured year is less than the

Coverage and Maximum Income Levels

Coverage Level/ Payment Rate	Maximum Annual Income
65/75	\$205,128
65/90	\$170,940
75/75	\$177,778
75/90	\$148,148
80/75	\$166,667
80/90	\$138,889

Loss Payment Example

Assumptions:

- Approved AGR of \$94,900.
- AGR 5-year average expenses of \$63,480.
- Adjusted gross income of \$21,000 (revenue to count).
- 80-percent coverage level and 90-percent payment rate.

Determining Loss:

- Approved AGR of \$94,900 X 80-percent coverage level = \$75,920.
- \$75,920 - \$21,000 revenue to count = \$54,920 loss of revenue.
- \$54,920 X 90-percent payment rate = \$49,428 indemnity due the insured.
- If a 75-percent payment rate had been selected, the indemnity due would have been \$41,190.

Note: If the insured's allowable expenses for the current crop year falls below 70 percent of the approved expenses (\$63,480 X 70 percent = \$44,436), the approved AGR will be reduced. This summary is for general illustration purposes only. Please contact a private crop insurance agent to learn more about AGR-Lite.

loss inception point. The loss inception point is calculated by multiplying the approved adjusted gross revenue times the selected coverage level. Once a revenue loss is triggered, the insured is paid based on the payment rate selected, either 75 percent or 90 percent of each dollar lost.

Notice of Damage or Loss

A written notice is required to be filed in your agent's office within 72 hours of discovery that your allowable income may be less than the revenue guarantee of the policy. Failure to provide notice within 15 days after the filing of your farm tax forms for the insurance year will result in denial of your claim. Extensions will not be considered.

Premium Subsidy

The Federal Crop Insurance Act legislates a premium subsidy of 48 percent, 55 percent, and 59 percent of the total premiums for the coverage levels of 80 percent, 75 percent, and 65 percent, respectively.

Cost-Share for Underserved Northeastern States

The Agricultural Risk Protection Act of 2000 has authorized cost-sharing to assist producers in reducing financial risk through production diversification. To meet this directive, RMA has announced a cost-share program for AGR-Lite insurance that is available in the following underserved Northeastern States: Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont. For 2003, an additional cost share is provided that reduces the producer's premium by 50 percent and pays the administrative fee for the policy.

Contact Information

For AGR-Lite program information, agents and producers can contact the following RMA regional office:

Raleigh Regional Office
Attn: Cliff Parker
4407 Bland Road, Suite 160
Raleigh, NC 27609
Phone: (919) 875-4880
or Gene Gantz
(717) 497-6398

This factsheet provides certain features of the AGR plan and is not comprehensive to the AGR policy. The information presented here neither modifies nor replaces terms and conditions of the basic policy, the AGR provisions, or county actuarial document.

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